Exhibit D-1 West Virginia SS7 Costs

3341107	3152Z	$632,707.35	
3341107	3152Z	$59,496.85	
3341107	3152Z	$2,360.17	
3341138	3152Z	$4,216.00	
3341138	3152Z	$7,162.66	
3341138	3152Z	$10,697.60	
3341138	3152Z	$6,373.40	
3341138	3152Z	$2,339.51	
3341138	3152Z	$4,305.60	
3341138	3152Z	$2,441.60	
3341138	3152Z	$622.40	
3341138	3152Z	$514.00	
3341138	3152Z	$1,700.00	
3341138	3152Z	$3,054.40	
3341138	3152Z	$3,248.00	
3341138	3152Z	$766.40	
3341138	3152Z	$1,228.00	
3341138	3152Z	$35,100.00	
3341138	3152Z	$29.19	
3341138	3152Z	$2,304.45	
3341138	3152Z	$9,987.68	
3341138	3152Z	$16,397.16	
3341138	3152Z	$1,636.62	
3341138	3152Z	$6,351.85	
3344403	3152Z	$8,099.20	
3344403	3152Z	$3,489.60	
3344403	3152Z	$4,747.10	
3344403	3152Z	$335.31	
3344403	3152Z	$689.01	
3344403	3152Z	$4,593.00	
3344403	3152Z	$9,849.10	
3344403	3152Z	$10,029.33	
3344403	3152Z	$12,457.01	
3344403	3152Z	$6,412.57	
3344403	3152Z	$4,593.00	
3344403	3152Z	$5,384.77	
3344403	3152Z	$1,060.50	
3344403	3152Z	$26,503.04	
3348450	3152Z	$3,980.00	
3348450	3152Z	$304.73	
3348450	3152Z	$615.83	

$918,183.99

Bell Atlantic
Tandem Switching
SS7 Costs in Tandem
Reasonableness Test

		Source	A 1992 1\	B 1996	C Access Reform Tariff Filing 3\
1	Tandem Investment	ARMIS 43-04	400,113	429,731	410,000
2	# of STPs Deployed	Company Records	28	44	44
3	STP Tandem Investment	2\	52,400	88,438	98,000
4	STP as % of Tandem	Ln 3 / Ln 1	13.10%	20.58%	23.90%

1\ Data on rows 2 and 3 provided as part of Marie C. John's June 18, 1993 letter in response to Mr. Kenneth P. Moran's March 26, 1993 data request.

2\ 1996 calculated as [(Ln 3, col. A/Ln 2, col. A) * Ln 2, col. B] * Ln 1, col. B / Ln 1, col. A.

3\ Bell Atlantic's 11/26/97 Letter Filing.

Exhibit D-3

Bell Atlantic
SS7 Costs Originally Allocated to TIC

		Source	Total BA South	DC	MD	VA	WV	NJ	PA	DE
1	1992 Interstate Tandem Rev. Req.	BA Trans 594, WP 6-11I, 1	56,502	6,726	4,919	7,692	814	16,198	20,153	0
2	1992 Total Company Tandem Investment	ARMIS 43-04, col b	400,113	43,213	36,705	47,001	6,203	124,976	142,015	0
3	1992 Interstate Tandem Investment	ARMIS 43-04, col I	140,669	14,697	14,065	23,692	2,533	35,288	50,394	0
4	1992 Total Company SS7 Investment	2\	63,600	3,400	6,900	1,900	0	19,900	31,500	0
5	1992 Interstate SS7 Investment	Ln3 / Ln2 * Ln4	21,555	1,156	2,644	958	0	5,619	11,178	0
6	1992 Interstate SS7 Revenue Requirement	Ln1 / Ln3 * Ln5	8,814	529	925	311	0	2,579	4,470	0
7	1992 SS7 Price Cap Revenue	BA Trans 594, WP 6-11I	236	[redacted]						
8	Net Interstate SS7 Revenue Requirement	Ln 5 - Ln 6	8,578							
9	SS7 Costs Allocated to TIC	Ln 7 * 80%	6,863							

1\ Includes adjustments for SPF, DEM, ISW, and 1993 GSF rule change
2\ Data provided as part of Marie C. John's June 18, 1993 letter in response to Mr. Kenneth P. Moran's March 26, 1993 data request.

Subject: Central Office Equipment Maintenance and Marketing Cost Adjustments to the TIC

Issue 1: Provide detailed information substantiating the amount of COE maintenance and marketing costs that were removed from the trunking basket, and the portion of that amount that was removed from the TIC. Explain the theory for determining the portion removed from the TIC. (¶ 67)

Response:

The following explains how Bell Atlantic identified the amount of central office equipment ("COE") maintenance and marketing costs that it removed from the trunking basket, and the portion of that amount that it removed from the TIC. Bell Atlantic did not, and could not, directly identify the amounts of these costs that were included in the TIC, because the Commission's rules do not specifically allocate these costs below the basket level. Therefore, following the price cap rules, Bell Atlantic reduced the TIC by the amount of the TIC service band index reduction caused by the reduction in the price cap index for the trunking basket.

Exogenous adjustments for COE maintenance expenses were different in certain aspects than those for marketing expenses; therefore, each is addressed separately below.

COE maintenance expense:

As explained on pages 15-17 of its November 26 Tariff Review Plan Description and Justification, Bell Atlantic determined the exogenous adjustment associated with the change in the Part 69 COE maintenance expense allocation rule as the difference between (1) the revenue requirements in the base period when the old Part 69 allocation rule was in effect; and (2) the revenue requirements in the same base period if the new rule were incorporated. The changes in revenue requirements were identified for each ARMIS cost

category – common line, local switching, information, local transport, Special Access and interexchange. The exogenous adjustment for the trunking basket was the sum of the cost changes for local transport and special access, the two categories that comprise the trunking basket.

Within the trunking basket, the COE maintenance exogenous change for the basket was not targeted to any particular service categories, but was incorporated as an ordinary "classic" exogenous cost change. That is, the change in the basket price cap index affected the upper limits for the service band indexes of each service category, including the TIC, through the service band index upper limit formula. There are several reasons why this method is reasonable. First, it is consistent with Part 61.45(d)(4), which requires that exogenous changes be apportioned on a cost-causative basis among the price cap baskets; the rules do not require further apportionment at the service category level, as any changes in basket price cap indexes automatically change the service band limits for the service categories within the basket. Second, this approach is consistent with the Commission's treatment of past exogenous changes associated with changes in cost allocation rules. ***See, e.g.,*** Attachment C, pp. 8-9, changes in General Support Facilities costs, Other Billing and Collection costs. Third, the Access Charge Reform Order did not direct the local exchange carriers to target these costs to the TIC in any specific manner; hence, in the absence of specific directions to the contrary, the Part 61 rules were applicable. Fourth, there is no cost basis on which to allocate COE maintenance expenses to the individual service categories, as Part 69 does not allocate costs separately to the high cap, voice grade, tandem switched transport, or TIC sub-categories. Since there is

no cost basis for such an allocation, revenue distribution is a second-best alternative that allows all the service categories to receive a reasonable share of the impacts. All categories should be affected, since all have COE maintenance expense as a cost component.

The calculations underlying the COE maintenance expense adjustments were displayed in Workpapers COE 1-4 of the Tariff Review Plan filing. Workpapers COE-1-N and COE-1-S displayed the traffic sensitive basket adjustment of $49.276 million for Bell Atlantic north and $67.894 million for Bell Atlantic south. As the COE maintenance adjustments were not targeted below the basket level, the impact on the TIC was not explicitly shown. However, in Exhibit E-1 of the instant filing, the COE maintenance expense adjustment amounts that were flowed through the price cap index and service band index limit process to the TIC service category are shown.

Marketing expense:

As stated on page 14 of Bell Atlantic's Tariff Review Plan Description and Justification, the amount of marketing expense to be removed from the trunking basket was determined based on the marketing expense reported in 1996 ARMIS data for the local transport category. The ARMIS local transport category encompasses the costs for the switched services contained in the trunking basket. Unlike the COE maintenance expense adjustment, the marketing expense allocated to the special access category was not included in the trunking basket adjustment because the Access Charge Reform Order specifically stated that "[w]ith respect to the trunking basket, the exogenous adjustment

shall not reflect the amount of any Account 6610 marketing expenses allocated to special access services." Access Charge Reform Order, ¶ 323.

The allocation of the marketing expense adjustment to the trunking basket service categories was also explained at page 15 of the Description and Justification. While the Access Charge Reform Order was silent on distribution of the COE maintenance expense adjustment to the service categories, the order did contain specific directions for the allocation of marketing expense; "[t]he service band indices (SBIs) within the trunking basket shall be decreased based on the amount of Account 6610 marketing expenses allocated to switched services included in each service category to reflect the exogenous adjustment to the PCI for the trunking basket." ***Id.***. However, expenses are not allocated to switched services below the total local transport level, *i.e.*, there are no expenses allocated separately to the high cap, voice grade, tandem switched transport, or TIC categories. That is because there is also no way to identify directly the amount of marketing expense incurred for each type of service or to know how much marketing expense is in the TIC as opposed to other rate categories. Since expenses could not be allocated to service categories on a cost-causative basis, the relative distribution of switched revenues in each service category was chosen as an alternative basis. The relative revenue distribution that was used was base period demand at current rates. This reasonably removed a portion of these expenses from each service to reflect the extent to which removal of these expenses affected the basket as a whole.

Workpaper MKT-1 of the Tariff Review Plan filing displayed the marketing exogenous cost adjustments for the trunking basket as $38.113 million for Bell Atlantic

North and $14.083 million for Bell Atlantic South. Workpaper MKT-2 showed the switched revenue distributions used to allocate the marketing expense adjustments to the trunking basket service categories. For the TIC, the amounts were $32.086 million for Bell Atlantic North and $9.719 million for Bell Atlantic South.

Issue 2: Should the portion removed from the TIC be based on the relative revenues in each category or the relative switched access revenues in each category, or on a more detailed analysis of the source of the costs? (¶ 67)

Response:

The portion of COE maintenance costs that is removed from the TIC should be based on revenues in each transport category, since the Access Charge Reform Order required the carriers to remove these costs to the extent that they were allocated to the trunking basket. However, as is discussed above, the Access Charge Reform Order only required marketing expenses to be removed from switched services in the trunking basket, i.e., these costs were not to be removed from Special Access services. Therefore, marketing costs should be removed from the TIC based on relative switched revenues in each category. As is explained above, these are the methods Bell Atlantic used.

A more detailed analysis of the source of the costs would be very difficult, if not impossible, to perform. Relative to COE maintenance expenses, the exogenous adjustment results from a change in cost allocation rules, not the actual costs incurred to provide the services. Because the rules do not allocate costs below the local transport and special access categories, the rules cannot be used to further allocate to the price cap service categories. Most importantly, as the TIC is a residual result of allocated costs, initial local transport restructure pricing rules, and intervening price cap rate changes,

there is no way to now determine how much COE maintenance expense is currently being recovered through the TIC vs. any other transport rate element. Any attribution method at this time would be arbitrary. The same is true for marketing expenses. The exogenous cost adjustment is based on allocated marketing expenses. Marketing expenses are not allocated below the local transport category level. Any analysis of actual marketing expenses would have little resemblance to the allocated marketing expenses used even at the basket level. Furthermore, it would be impossible to determine how much actual marketing expense to attribute to the TIC.

Issue 3: Should the LECs allocate these exogenous cost changes to the TIC as it existed prior to July 1, 1997? (¶ 68)

Response:

The Bureau tentatively concludes that if the COE maintenance and marketing expense changes are not allocated to the TIC as it existed prior to July 1, 1997, the targeting effect that occurred in the annual filing could skew the amount of reallocation costs ascribed to the facilities-based TIC. This is incorrect. Since Bell Atlantic did not allocate these cost changes based on TIC revenues, but based on costs the facilities-based components of the TIC using costs or rates as proxies. Therefore, it is irrelevant whether Bell Atlantic used the TIC as it existed before or after July 1, 1997.

In its opposition to the tariff filings, AT&T argued that, if the local exchange carriers did not allocate COE maintenance and marketing expenses to the TIC as it existed prior to July 1, 1997, an excessive amount of these adjustments would be allocated to the facilities-based portion of the TIC. This would be true only if Bell

Atlantic used the methodologies that are assumed in AT&T's presentation of the issue, which Bell Atlantic did not do. AT&T is addressing not the total TIC adjustment, but rather the within-TIC allocation between the "facilities-based" and the "residual" components. By "facilities-based" TIC, AT&T refers to the costs that were set aside on an estimated percentage basis in the 1997 annual filing that were not to be subject to the X-factor targeting on July 1, 1997, because these costs were to be moved to the appropriate service elements on January 1, 1998. AT&T Comments, p. 31, n.25. AT&T argues that, in the January 1 filing, the local exchange carriers should have apportioned the TIC exogenous adjustments for COE maintenance and marketing expenses between the TIC facilities-based costs and the remaining TIC based on the percent of each on June 30, 1997.

Implicit in AT&T's argument is a series of erroneous assumptions as to how the local exchange carriers determined the exogenous cost adjustments. First, AT&T assumes that local exchange carriers took the TIC exogenous reductions at issue solely against the facilities-related components of the TIC. Second, AT&T assumes that the facilities-based components of the TIC were determined on a percentage-of-TIC-revenues basis. Bell Atlantic did not follow either of these methodologies.

Bell Atlantic did not remove these costs from the facilities-based components of the TIC based on TIC revenues, but rather on costs or rates as proxies. The amount removed therefore was independent of the amount of costs that were removed from the TIC in the 1997 annual filing due to the X-factor targeting. In fact, Bell Atlantic was careful to adjust each of the facilities-based components of the TIC to reflect the change

in the COE maintenance expense and marketing rules to the greatest extent possible. To this end, the components that were based on revenue requirements, such as host-remote, tandem STP, SS7 links, and analog end office muxes, were specifically adjusted for the changes in the rules for allocating COE maintenance and marketing costs. The tandem dedicated port charges were developed on a unit cost basis, but excluded marketing expense. Other facilities-based components, such as tandem muxes, reinitialized tandem switched transport rates, transport rate deaveraging and the unitary structure, were developed based on rates which were not directly affected by the exogenous cost adjustments. The remaining component, that for the tandem switch, was computed based on the Commission's formula, which was based on the June 30, 1997 TIC.

In short, AT&T's confusing arguments are based on a series of incorrect assumptions about how Bell Atlantic removed these costs from the TIC. Bell Atlantic attributed a reasonable amount of COE maintenance and marketing expense adjustments to the facilities-based portions of the TIC, and certainly did not over-assign these adjustments as AT&T would have the Commission believe.

Exhibit E-1 Amount of COE Maintenance Costs Removed From The TIC

Calculation of COE Maintenance Expense Exogenous Adjustment
Allocated to the TIC Service Category

		Source from Filing	BA-North	BA-South
1)	COE mntnce adjustment to trunking basket	EXG-1 line 560	(49,276,000)	(67,894,000)
2)	Trunking basket revenues at last PCI update	RTE-1 line 4970	997,782,375	859,568,193
3)	Percentage change due to COE mntnce	ln 1 / ln 2	-4.94%	-7.90%
4)	TIC revenues at last PCI update	RTE-1 line 1080	470,312,651	229,479,092
5)	Change in TIC SBI upper limit revenues for COE maintenance	ln 3 * ln 4	(23,226,634)	(18,125,675)

Subject: Impact on the TIC Arising From the Use of Actual Minutes of Use Rather Than Assumed 9,000 Minutes of Use.

Issue 1: Should price cap carriers recalculate their tandem-switched transport rates pursuant to Section 69.111(c), which requires the use of the prior year's actual voice-grade minutes of use? (¶ 78)

Response:

The Bureau raises this issue because it believes that the price cap carriers improperly relied upon Section 69.111(c) to restructure their tandem switched transport rates using (1) prior year's actual minutes of use, rather than the assumed 9,000 minutes of use, on tandem switched transport facilities; (2) current DS3 and DS1 rates; and (3) the current mix of DS3 and DS1 facilities. Designation Order,¶ 76. The Bureau concludes that this decreased the carriers' tandem-switched rates, and increased the TIC, because (1) actual minutes of use are now greater than 9,000; (2) current DS3 and DS1 rates are lower than they were when the TIC was first created in 1993; and (3) the facilities mix is now more heavily weighted towards the DS3/fiber facilities than in 1993. However, these assumptions are incorrect, in part, with regard to Bell Atlantic; Bell Atlantic did not simply follow Section 69.111(c); its actual minutes of use were less than 9,000; and Bell Atlantic's TIC went down, not up.

Contrary to the Bureau's assumption, Bell Atlantic did not simply rely upon Section 69.111(c) in deciding to use the prior year's actual usage, and the current rates and facilities mix, to restructure its tandem switched transport rates. Bell Atlantic also relied upon the express words of the Access Charge Reform Order, which stated that;

> rates for the common transport portion of tandem-switched transport must be set using a weighted average of DS1 and DS3 rates reflecting the relative numbers of DS1 and DS3 circuits in use in the tandem-to-end office link, and using the actual

> voice-grade switched access common transport circuit loadings, measured as total actual minutes of use, geographically averaged on a study-area-wide basis, that the incumbent LEC experiences based on prior year's annual use.[1]

Nothing in these directions referred to 1993 data. Accordingly, Bell Atlantic restructured its tandem-switched transport rates using the prior year's actual usage and the current rates and facilities mix.

The Bureau mistakenly assumes that Bell Atlantic's use of 1996 base year actual minutes of use is unreasonable based on its observation that "average tandem usage in the BOCs' study areas is over 11.000 minutes per trunk" and that, "[a]s a result, the recalculated transport rates for the BOCs are lower than their previously-existing rates . . . Consequently, the price cap LECs made exogenous adjustments that remove revenue from the tandem-switched transport category and add that revenue to the TIC." Designation Order, ¶ 70. In fact, Bell Atlantic's actual base year minutes of use per trunk were 7,037 in the north and 5,820 in the south. Use of these data actually increased Bell Atlantic's tandem switched transport service band indexes and reduced Bell Atlantic's TIC service band indexes.

In addition, these data were not used to develop revised rates for tandem switch transport services, but rather to estimate the amount of the exogenous reduction in the TIC service band index and the associated exogenous increases in the tandem switched transport service band indexes. However, for marketing reasons, Bell Atlantic chose not to increase its tandem switch transport rates to recover these exogenous cost increases.

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[1] Access Charge Reform Order, ¶ 206; ***see also*** ¶ 208.

Issue 2: Should price cap carriers be required to recalculate their tandem-switched transport rates using the same data that were used when they were first established in 1993, except using actual minutes of use for circuit loading, rather than assuming 9,000 minutes of use per month? Should they then compare those rates to the 1993 rates to determine the percentage of the original TIC that was attributable to the 9,000 minutes of use assumption, make an exogenous adjustment to the June 30, 1997 TIC service band index by that percentage, and make a corresponding exogenous adjustment to the tandem-switched transport service band indexes? (¶ 79)

Response:

The price cap carriers should not be required to make this adjustment. As is explained above, the Access Charge Reform Order did not require the carriers to restructure their tandem switched transport rates using 1993 rates or mix of facilities. To the contrary, the order explicitly requires to use their DS1 and DS3 rates and their actual mix of DS1 and DS3 facilities. The Commission did not require a look-back to 1993 data.

In addition, the methodology proposed by the Bureau could have unexpected effects. The following table shows the results of using the prior year's actual minutes of use, but using rates and facilities mixes from 1993.[2] It shows that the Bureau's methodology would actually increase the TIC in Bell Atlantic South.

[2] Bell Atlantic does not interpret the Designation Order to require Bell Atlantic to use the actual minutes of use from 1993. In any event, that would be impossible, since Bell Atlantic does not have that data.

	Exogenous Cost Estimate ($000)		
	BA-North	BA-South	Total Bell Atlantic
BA Filing	$113,314	$7,016,664	$7,129,978
FCC Proposed Method[3]	$3,570,338	$3,789,843	$7,360,182
Difference	$3,457,024	($3,226,821)	$230,204

For these reasons, the Bureau should not require the carriers to use 1993 data to restructure their tandem switched transport rates.

Issue 3: Should the Commission consider any alternative approaches to removal of the effect on the TIC of the 9,000 assumed minutes of use? (¶ 79)

Response:

Yes. The Commission should consider and adopt the methodology employed by Bell Atlantic. Bell Atlantic updated all of the data in the tandem switched transport formula, using actual base year minute of use circuit loadings, an updated mix of fiber and copper transport facilities (surrogate for the mix of DS3 and DS1 common transport facilities) and the most current rates for DS3 and DS1 transport (7/1/97 rates for termination, facility and DS3/DS1 muxes) in order to match the usage data with the facilities and rates for the same time period. These data were used to develop the estimated amount of exogenous costs in the TIC associated with each of these elements, by comparing the revised factors to the current rates and then applying the differential to the actual tandem switched transport demand underlying the 7/1/97 filing. These

exogenous cost estimates were removed from the TIC service band index and added to the tandem switched transport service band indexes. Overall, the Bell Atlantic methodology resulted in a significant exogenous cost reduction to the TIC and a comparable increase in the tandem switched transport service band indexes of about $7 million.

Bell Atlantic's methodology properly reflects the amount of costs that are currently recovered through the TIC as a result of using an assumed 9,000 minutes of use rather than actual minutes of use on tandem switched transport facilities. As such, it removes the costs from the TIC that should properly be recovered through tandem switched transport rates rather than the TIC.

Issue 4: Should price cap LECs be permitted to make this adjustment if it increases the TIC, or only if it reduces the TIC? (¶ 79)

Response:

The Commission's purpose in deciding to use actual minutes of use to set tandem switched transport rates was to remove costs that had been over-assigned to the TIC as a result of the use of an assumed 9,000 minutes of use in the Local Transport Restructure. ***See*** Access Charge Reform Order, ¶ 222. Bell Atlantic's base year usage, which is substantially below 9,000 minutes, accurately represents the amount of TIC costs that were over-assigned to Bell Atlantic's TIC in the 1997 rates. Removal of these costs

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[3] These data do not apply the actual minutes of to the host/remote facilities because the actual costs of these facilities were used in the access reform tariff to remove host/remote costs from the TIC pursuant to paragraph 220 of the Access Charge Reform Order.

using such base year usage results in cost-based tandem-switched transport rates and removes any current subsidies of such rates by the TIC. Since Bell Atlantic's methodology actually reduces the TIC, the issue is moot as to Bell Atlantic.

Issue 5: Should multiplexer costs on the end office and serving wire center side be included in the computation of the tandem-switched transport rate? Demonstrate that the weighted average of DS1 and DS3 rates divided by actual minutes of use per voice-grade circuit is affected by the multiplexers at the tandem switch. (¶ 80)

Response:

Yes. The cost of one multiplexer was included in the original tandem switched transport rate that was established in 1993, and Bell Atlantic included the cost of one multiplexer along with the DS1 and DS3 transport rates to determine the effect of using actual usage rather than 9,000 minutes of use to calculate the exogenous adjustment to the TIC. As required by the Access Charge Reform Order, Bell Atlantic also removed the cost of one DS3/DS1 multiplexer on the end office side of the tandem switch from the TIC. ***See*** Access Charge Reform Order,¶¶ 170-173.

The formula that Bell Atlantic used to develop the original tandem switched transport rates, and the exogenous cost adjustment for the TIC and tandem switched transport service band indexes in its Access Reform tariff filings, included the cost of one DS3/DS1multiplexer in the development of the tandem switched transport termination rate element. The multiplexer component of the tandem switched transport termination element was weighted by the percentage of DS3 to total (DS3 + DS1) facilities used in the provision of tandem switched transport service (using the fiber/copper mix as a

surrogate). The rationale for including a DS3/1 multiplexer for the DS3 portion of tandem switched transport service is that, when DS3 facilities are used for transport, a multiplexer is required in order to switch traffic at the end office (where all traffic is switched at the DS1 level). As a point of fact, two multiplexers would be required when DS3 facilities are used between the end office and access tandem, the second one being at the end office side of the tandem. In the Access Charge Reform Order, the Commission recognized that fact and required the price cap local exchange carriers to establish a new, separate multiplexing rate element (between the end office and the tandem) and to make an exogenous cost reduction to the TIC associated with this new rate element, which Bell Atlantic did as part of its Access Reform tariff filings.

Subject: Recovery of New Universal Service Support Obligations

Issue 1: Explain why the methodology Bell Atlantic used to allocate universal service support contributions among the common line, interexchange, and trunking baskets accurately reflects the distribution of interstate end user revenues across baskets. Explain the methodology in detail, including any assumptions. (¶ 95)

Response:

The Bureau states that the local exchange carriers used two different methods to allocate universal service fund obligations among the price cap baskets; (1) using the percentage of interstate end user revenues reported in Column C of lines 34-47 of the Universal Service Fund Worksheet, FCC Form 457; and (2) using interstate end user service category revenue figures for the price cap baskets summarized on form SUM-1 of the Tariff Review Plan, supplemented with internal company billing records to determine the amount of interstate end user revenues within service categories in the trunking basket. ***See*** Designation Order, ¶ 93. Bell Atlantic used the second method.

Bell Atlantic's method is more accurate because the Tariff Review Plan data, which reflect end user revenues in each basket for the base period, are consistent with the methodology for applying exogenous cost changes to the price cap formula, which are applied as a percentage of base period revenues (i.e., delta Z / R (t-1)) for each basket. This ensures that the percentage changes to each basket's price cap index for universal service contributions reflect the proper relationship between the exogenous change and the basket as a whole (i.e., apples to apples). Amounts that are not first expressed in terms of basket base period revenues should not be used because they do not reflect the right relationship between the exogenous cost and the basket as a whole. Use of 1997 end user revenues from the Form 457 Universal Service Fund Worksheet as a percentage

of 1996 base period revenues would produce such a mismatch, because the 1997 end user data would not reflect base period rates and demand. In addition, use of Form 457 revenues would first require a reconciliation and then continual coordination to ensure that amounts on Form 457 are exactly equivalent to the rate elements in the price cap model at a basket level. This would produce an onerous regulatory burden.

Bell Atlantic developed each basket's universal service fund allocation by multiplying the basket's base period end user percentage of total price cap interstate end user revenues times the total universal service fund amount. A more detailed explanation of the methodology Bell Atlantic used to calculate the basket percentages follows:

Common Line - Total end user common line (EUCL) base period revenues from the 1/1/98 filing were divided by total base period price cap interstate end user revenues.

Trunking - End user amounts were not readily identifiable from the 1/1/98 filing. Therefore, for each service band containing end user revenues (Voice Grade/WATS/Metallic/Telegraph, Audio/Video, and HiCap/DDS), a percentage of end user revenues to total service band revenues was developed, using revenue data from 1996 billing records. These percentages were multiplied by base period service band revenues. The resulting base period end user service band amounts were divided by total base period price cap interstate end user revenues.

Interexchange - End user elements were identified, and the rates at last price cap index update were multiplied by base period demand. The resulting amount was divided by total base period price cap interstate end user revenues.

Total Price Cap Interstate End User - Total of common line end user, trunking end user, and interexchange end user revenues developed above.

If Form 457 data were used to allocate USF revenues to baskets, the data on Line 36, local private line and special access service, would most closely approximate the results using Tariff Review Plan data. The Form 457 directions for line 36 specify that it be populated by Part 32 accounts 5040 (Local private line revenue), 5083 (Special access revenue), and 5040 (State access revenue). Since Column C is labeled "Interstate and International Revenues," only end user amounts from account 5083 should be included. Account 5083 includes subaccounts for Voice Grade/WATS/Metallic/Telegraph, Audio/Video, and HiCap/DDS, which are the Trunking categories the Commission specified as having end user revenues.